

Message Text

LIMITED OFFICIAL USE

PAGE 01 LIMA 10552 140133Z

62

ACTION EB-03

INFO OCT-01 ARA-06 ISO-00 SS-14 INR-05 L-01 SP-02 RSC-01

/033 W

----- 060542

P 132113Z DEC 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC PRIORITY 3165

LIMITED OFFICIAL USE LIMA 10552

STADIS////////////////////////////////////

LIMDIS

E.O. 11652: N/A

TAGS: EAIR,PE

SUBJ: CIVAIR - BRANIFF NEGOTIATIONS WITH AEROPERU

REF: LIMA 9710

1. SUMMARY: BRANIFF OFFICIALS MET WITH OFFICIALS OF AEROPERU ON DECMEBER 12 IN EFFORT DEVELOP MODUS OPERANDI WHICH COULD BE PRESENTED TO FULL DELEGATIONS WHEN NEGOTIATIONS RESUME JANUARY 6. AERO PERU MOVED VERY LITTLE FROM POSITION THAT BRANIFF WOULD HAVE TO ADJUST TO RESTRICTIVE OPERATING PERMIT WHICH IS TO BECOME EFFECTIVE EARLY NEXT YEAR. BRANIFF OFFICIALS SAID THEY BELIEVED THIS WILL PROBABLY BE IMPOSSIBLE BUT THAT THEY WOULD ASK BRANIFF ROUTE AND TRAFFIC EXPERTS IN DALLAS TO EXAMINE MATTER. IF POSSIBILITY WERE FOUND, WHICH UNLIKELY, BRANIFF WOULD INFORM AEROPERU/GOP THROUGH EMBASSY. BOTH SIDES AGREED THAT IMPASSE WOULD HAVE TO BE REFERRED BACK TO FULL GOVERNMENT DELEGATIONS. END SUMMARY.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 10552 140133Z

2. WORKING GROUPS OF TWO DELEGATIONS MET ON DECEMBER

12. PERUVIAN SIDE WAS NOMINALLY HEADED BY COMANDANTE PITALUGA, ALTHOUGH DISCUSSION WAS LED BY GULMAN. GENERAL SOTO SAT IN FOR FIRST HOUR BUT TOOK LITTLE PART. DEMURIAS AND SOUTH ACTED AS PRINCIPAL SPOKESMEN FOR BRANIFF/US. ATMOSPHERE WAS POLITE.

3. FOLLOWING OPENING REMARKS BY SOTO, IN WHICH HE REFERRED TO FACT THAT AEROPERU POSITION HAD TO BE BASED ON NEW BRANIFF OPERATING PERMIT, DE MURIAS RESPONDED BY POINTING OUT GREATER VALUE OF U.S. AS COMPARED TO PERUVIAN AIR TRAFFIC MARKET, AND PRESENTED STATISTICS TO THIS EFFECT. GULMAN THEN REITERATED PERUVIAN VIEW THAT RECIPROCITY BASICALLY DEPENDS ON NUMBER OF FREQUENCIES BEING OPERATED. HE SAID THAT AS AN INFANT AIRLINE AEROPERU COULD NOT HOPE TO COMPETE WITH ESTABLISHED AIRLINE SUCH AS BRANIFF WITH 40 YEARS' EXPERIENCE. HE AGAIN REFERRED TO NEW BRANIFF OPERATING PERMIT AND FURTHER DEVELOPED AEROPERU'S POSITION AS FOLLOWS:

A. THERE SHOULD BE NO MORE THIRD, FOURTH, AND FIFTH FREEDOM FREQUENCIES ON COMPETITIVE ROUTES FOR BRANIFF THAN FROM AEROPERU.

B. THIRD, FOURTH, AND FIFTH FREEDOM TRAFFIC ON NON-COMPETITIVE ROUTES MAY BE SERVED BY BRANIFF IN A MANNER TO BE AGREED, WITH UNDERSTANDING THAT IF AND WHEN AEROPERU BEGINS TO OPERATE ROUTE RULE OF EQUALITY WOULD APPLY.

4. WITH RESPECT TO POINT B ABOVE, GULMAN SAID IN RESPONSE TO BRANIFF QUESTION THAT "20 PERCENT COMPENSATION" IS GOP REQUIREMENT. HOWEVER, THIS SUBJECT WOULD BE INAPPROPRIATE FOR WORKING GROUP DISCUSSION; IT SHOULD BE TAKEN UP BETWEEN FULL DELEGATIONS. HE WAS SIMILARLY UNRESPONSIVE TO BRANIFF SUGGESTION THAT IT MIGHT COMPENSATE AEROPERU FOR LARGER NUMBER OF FREQUENCIES THAT BRANIFF OPERATES BY PERFORMING SERVICES FOR AEROPERU SUCH AS ENGINE OVERHAUL AND MAINTENANCE, ETC. GULMAN SAID AEROPERU WOULD OF COURSE BE INTERESTED IN SUCH SERVICES, BUT THAT HE WOULD EXPECT THESE TO DEVELOP LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 10552 140133Z

NORMALLY AS A RESULT OF FRIENDLY RELATIONS BETWEEN THE TWO AIRLINES.

5. GULMAN THEN PROCEEDED TO DEVELOP INCREDIBLE ARGUMENT THAT AEROPERU IS GREATLY DISADVANTAGED BY FACT THAT BRANIFF HAS ACCESS TO MIAMI, WASHINGTON, AND NEW YORK TO AND FROM LIMA, WHEREAS AEROPERU ONLY HAS ACCESS TO MIAMI AND WASHINGTON. IN RESPONSE TO QUESTION HE

ADDED THAT IF AND WHEN AEROPERU FLIES TO NEW YORK, IT WOULD DEMAND THAT BRANIFF EQUATE ITS NEW YORK FREQUENCIES WITH THOSE OPERATED BY AEROPERU.

6. DE MURIAS AND SOUTH THEN WENT OVER AEROPERU POSITION IN DETAIL, ASKING IF THESE WERE OUTSIDE PARAMETERS FOR BRANIFF OPERATIONS; GULMAN SAID POSITION WAS FIRM BUT THAT SURELY BRANIFF EXPERTS COULD FIND WAYS OF ADJUSTING OPERATIONS WITHIN THESE LIMITS, POSSIBLY BY MAKING DIRECT FLIGHTS WITHOUT STOPOVERS. HE REPEATEDLY STRESSED POINT THAT AEROPERU IS SEEKING TO DO MINIMUM HARM TO BRANIFF AND IS INDEED TRYING TO BE HELPFUL. HE SAID THAT INTERNATIONAL EXPERTS (INCLUDING AIRPLANE SALESMEN) WERE UNANIMOUS IN STATING THAT WEROPERU CANNOT BE PROFITABLE UNLESS BRANIFF SERVICE IS REDUCED. BRANIFF REPEATED ITS ARGUMENTS AND EMPHASIZED THAT IT WOULD BE IMPOSSIBLE FOR IT TO OPERATE PROFITABLY WITHIN CONFINES OF NEW OPERATING PERMIT. GULMAN POINTED OUT THAT BRANIFF SHOULD NOT REGARD ITSELF AS VICTIM OF DISBRIMINATORY TREATMENT. AEROPERU HAS REDUCED LAN CHILE FROM SEVEN TO FOUR FLIGHTS WEEKLY BETWEEN MIAMI AND LIMA AND HAS ELIMINATED ALL SEVEN AIR PANAMA MIAMI/LIMA FLIGHTS. IN RESPONSE TO QUESTION, HE SAID THAT IF AIR PANAMA SOUGHT TO RESORT TO DEVICE OF ONLY CHANGING FLIGHT NUMBERS IN PANAMA, IT WOULD FIND ITS OPERATING PERMIT IN JEOPARDY. AT THIS POINT, MEETING ADJOURNED UNTIL AFTERNOON.

7. IN STRATEGY MEETING FOLLOWING ADJOURNMENT, IT WAS AGREED THAT U.S. SIDE WOULD RETURN TO MEETING WITH SUGGESTION THAT SINCE THERE SEEMED TO BE NO "GIVE" IN PERUVIAN POSITION, BRANIFF DELEGATION WOULD RETURN TO DALLAS AND ASK ROUTE AND TRAFFIC EXPERTS TO STUDY WHEHTER LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 LIMA 10552 140133Z

OPERATIONS COULD BE ADJUSTED TO NEW PARAMETERS. FINDINGS WOULD BE CONVEYED TO PERUVIANS VIA EMBASSY. IT WAS ALSO AGREED TO SUGGEST THAT TWO SIDES PUT IN WRITING PERUVIAN POSITION AND ACTION BRANIFF WOULD TAKE.

8. WHEN FOREGOING POSITION WAS PUT FORTH AT SECOND SESSION, GULMAN RESPONDED WITH SHOCKED SURPRISE. HE SAID BRANIFF SHOULD NOT REGARD PARAMETERS (PARAGRAPHS 3A AND 3B ABOVE) AS LIMITING BRANIFF FROM MAKING A COUNTERPORPOSAL EXCEEDING THESE PARAMETERS. U.S. SIDE THEN PROBED FOR SPECIFIC AREAS OF FLEXIBILITY IN PERUVIAN POSITION. HOWEVER, IN RESPONSE TO QUESTIONS, GULMAN DENIED THAT AEROPERU WOULD BE RECEPTIVE TO BRANIFF FLYING, FOR EXAMPLE, TEN FLIGHTS WEEKLY TO MIAMI WHILE AEROPERU FLEW SEVEN. HE ALSO REITERATED GENERAL RULE

OF EQUALITY OF FREQUENCY ON COMPETITIVE ROUTES. U.S. SIDE NOTED THAT DESPITE GULMAN'S ASSERTIONS TO CONTRARY, PARAMETERS DID IN FACT SEEM RIGID. GULMAN THEN SUGGESTED THAT TWO SIDES MIGHT REGARD NEW OPERATING PERMIT AS FUNCTIONING ON TRIAL BASIS. IF AFTER SEVERAL MONTHS OF EXPERIENCE IT WAS DISCOVERED THAT CAPACITY WAS INDEED INSUFFICIENT TO SERVE PERUVIAN MARKET, OR THAT BRANIFF'S CAPACITIES CONTINUED CONSISTENTLY HIGHER THAN AEROPERU'S, CHANGES FAVORING BRANIFF MIGHT BE MADE ON BASIS THIS EXPERIENCE. BRANIFF RESPONDED IT COULD NOT OPERATE ON SUCH A BASIS.

9. AFTER CONSIDERABLE FURTHER DISCUSSION ALONG FOREGOING LINES, DE MURIAS SAID IT WAS EVIDENT TO HIM THAT TWO SIDES WERE SO FAR APART THAT HE DID NOT SEE HOW MATTER COULD BE RESOLVED. GULMAN AGREED. DE MURIAS SAID BRANIFF TEAM WOULD RETURN TO DALLAS AND ASK EXPERTS TO STUDY WHETHER OPERATIONS COULD BE RESTRUCTURED TO FIT RESTRICTIONS. IN UNLIKELY EVENT EXPERTS COULD DEVELOP CONSTRUCTIVE SOLUTION, BRANIFF WOULD INFORM AEROPERU/ GOP THROUGH EMBASSY. HE DID NOT THINK SOLUTION COULD BE FOUND. GULMAN REPLIED HE DID NOT THINK SO EITHER. IT WAS LEFT TO FULL DELEGATIONS TO TRY TO REACH AGREEMENT WHEN THEY MET JANUARY 6.

10. COMMENT: BRANIFF OFFICIALS SENSED SOME "GIVE" IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 LIMA 10552 140133Z

AEROPERU POSITION, AT LEAST TO EXTENT THAT GULMAN APPARENTLY FEARED POSSIBILITY THAT PERUVIAN INTRANSIGENCE MIGHT BE HELD RESPONSIBLE FOR BREAKDOWN OF NEGOTIATIONS. THEY ALSO THOUGHT THEY SENSED SOME CONCERN ON PERUVIAN SIDE THAT LATTER MIGHT HAVE GONE TOO FAR. LOCAL BRANIFF OFFICIALS PLAN TO CONTINUE TO WORK INFORMALLY ON THIS ASPECT BY REMINDING TOHER PERUVAIN OFFICIALS OF CONSEQUENCES TO TOURISM AND COMMERCE OF DRASTIC REDUCTION IN BRANIFF OPERATIONS. HOWEVER, BOTH DE MURIAS AND SOUTH RECOGNIZE THAT OUTLOOK IS NOT GOOD. THEY SAY THAT BRANIFF CANNOT OPERATE HERE ON BASIS OF NEW PERMIT. MOREOVER, ACQUIESCENCE WOULD SET IMPOSSIBLE PRECEDENT AS FAR AS OTHER COUNTRIES IN WHICH BRANIFF OPERATES ARE CONCERNED. AS A RESULT, THEY NOW SEE REDUCTION TO TOKEN LEVELS OF U.S./PERU SERVICES BY BOTH BRANIFF AND AEROPERU AS A DISTINCT POSSIBILITY. BARNEBEY

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COMPENSATION, AIRLINES, NEGOTIATIONS, LICENSES
Control Number: n/a
Copy: SINGLE
Draft Date: 13 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA10552
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740363-0576
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741237/aaaabfqm.tel
Line Count: 218
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: 74 LIMA 9710
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 03 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 JUL 2002 by martinml>; APPROVED <27 MAR 2003 by CunninFX>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR - BRANIFF NEGOTIATIONS WITH AEROPERU
TAGS: EAIR, PE, BRANIFF, AEROPERU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005